Frequently Asked Questions about the New BOI Investment Promotion Policy

Content Page

Concept and Preliminary Criteria for Investment Promotion under the New BOI Policy

1. The Concept on Investment Promotion under the New BOI Policy 3
2. Types of Eligible Activities and Incentives for Investment Promotion 3
3. Changes in Project Approval Criteria 4

Criteria for Investment Promotion under the New BOI Policy

4. Projects Eligibility for Investment Promotion under the New BOI Policy 5
5. Criteria for Project Approval under the New BOI Policy 5
6. Approval Considerations for Machinery to be Used in Promoted Projects 7
7. Approval Considerations for Imported Used Machinery 8
8. Examples of Key Considerations regarding the Condition of Machinery 9
9. Timeframe for Import Duty Exemptions on Machinery 10
10. Criteria for Approving Machinery to be Used in Promoted Projects 10
11. Criteria to Qualify for Merit-Based Incentives 11
12. Conditions of Merit-Based Incentives for Advancing Competitiveness Enhancement 12
13. Types of Merit Eligibility for Each Group Activity and Details of Merit-Based Incentives 12
14. Calculations of Merit-Based Incentives 13
15. Calculations of Merit-Related Expenditures for Advancing Competitiveness Enhancement 15
16. Timeframe on Earning Merit and Requesting Merit-Based Incentives 16
17. Amendment for Promoted Projects under the new BOI Policy 17
18. Guidelines and Procedures to Apply for Investment Promotion and for Knowledge-Based Service Activities 17
19. Procedures to Use Corporate Income Tax Exemptions 18
20. BOI Announcement to Promote Continuous Long-Term Investment Projects for Electronics and Electrical Appliances 18

Projects Eligible for Investment Promotion under the former BOI Policy and Criteria for Investment Promotion

21. Projects Eligible for Investment Promotion under the former BOI policy and Criteria for investment promotion 19

22. Amendment for Projects Promoted under the Former BOI Policy 19

23. Amendment Criteria for Projects Promoted under the Former BOI Policy after 1 January 2015 20

Concept and Preliminary Criteria for Investment Promotion under the New BOI Policy

1. Concept on investment promotion under the new BOI policy

The underlying concept of the new BOI policy is to shift away from zone-based incentives, in which incentives are granted on a decentralization basis (Zone 1, 2, 3) to activity and merit-based incentives. Under the new BOI policy, the level of incentives granted will be based on the contribution to economic reform, the necessity for corporate income tax exemptions to induce investment, and strengthening competitive advantage, regardless of zone. Take as an example the manufacturing of rice cookers, if the project is located in an northern industrial estate, like Lamphun province, the project will be entitled to corporate income tax exemption, under the former BOI policy, for a period of 8 years (with a corporate income tax exemption cap), which is equivalent to those incentives listed under Group A2 under the new BOI policy. However, such a project would be entitled to incentives under Group B1 under the new BOI policy, which excludes corporate income tax exemption, even if the project is located in Lamphun.

2. Types of Eligible Activities and Incentives for Investment Promotion

In determining eligible activities, the impact on the country's economy has to be considered, e.g. the level of technology, manufacturing difficulty, value added creation for domestic raw materials and parts. Additional conditions have been added to emphasize the development of high technology industries. For instance, some eligible activities for investment promotion must have a designing process, specific production process or product specification. The incentive package will then be identified (e.g. the duration of corporate income tax exemption) for activity-based groups according to the importance of the activities and categorized into groups as follows:

- Group A1 (8 years without being subject to a corporate income tax exemption cap);
- Group A2 (8 years subject to a corporate income tax exemption cap);
- Group A3 (5 years subject to a corporate income tax exemption cap);
- Group A4 (3 years subject to a corporate income tax exemption cap);
- Group B1 (exemption of import duty on machinery only); and
- Group B2 (permission to bring in foreign skilled workers and permission to own land only).

In general, the new BOI policy will grant incentives for activities that have impact on the country's economy. While basic incentives are reduced, additional merit-based incentives can be obtained in order to promote economic development. Most activities eligible for investment promotion are entitled to the activity-based incentives group, from B1 (excluding corporate income tax exemption) to A4 (3-year corporate income tax exemption). Meanwhile, activities contributing to economic reforms, e.g. technology and knowledge-based products are entitled to activity-based incentives under A3, A2, and A1.

3. Changes in Project Approval Criteria

The changes in criteria for project approval are as follows:

Criteria	Former Policy	New Policy
Value Added	Not less than 20% Exceptions 1.Agriculture and Agricultural Products 2.Electronics products and Parts 3.Other activities as approved by the Board	Not less than 20% Exceptions 1. Agriculture and Agricultural Products 2. Electronic products and Parts 3.Coil Center **Value added must be above 10%**
The Ratio of Debt to Equity	- New project (in case the applicant has not established a company or a company has been established but revenue has not been generated) must have debt per equity ratio of 3:1 - Expansion project (company has been established and revenue has been generated) will be as deemed appropriate	Unchanged

Criteria	Former Policy	New Policy
Manufacturing Process	Modern or as approved	Unchanged
Condition of Machinery	New or imported machinery must not exceed 10 years of usage	New or imported machinery must not exceed 5 years of use with strictly enforced criteria and conditions (See response to Questions 6 through 10 for more information)
Minimum Investment Capital	Minimum investment of Bt1 million, excluding cost of land and working capital, for all eligible activities	Minimum investment of Bt1 million, excluding cost of land and working capital, for all eligible activities, except activities that include per annum salaries of experts as part of the minimum investment regarding software development as well as research and development activities (See response to Question 18 for more information)
ISO Condition for Projects with Investment Capital exceeding 10 million baht (excluding cost of land and working capital)	Must obtain ISO 9000 or ISO 14000 or similar international certification within 2 years counting from the full operation start-up date. Otherwise, the privilege for corporate income tax exemption will be reduced by one year. For example, if the project entitled to 5-year corporate income tax exemption cannot obtain ISO, then the privilege will be reduced to 4 years. For projects not entitled to corporate income tax exemption are not subject to such a condition even if the investment capital exceeds Bt10 million.	Unchanged Remarks Projects classified under the grouping of A1, A2, A3, A4 are subject to ISO conditions if the investment capital exceeds 10 million baht. Projects entitled to incentives under the grouping of B1 and B2 are not subject to this condition since corporate income tax exemption is not granted to this incentive group unless merit-based incentives have been granted and the investment capital exceeds Bt10 million; ISO conditions will apply.
Feasibility Study	Applicable to projects with investment capital exceeding Bt500 million, excluding cost of land and working capital	Applicable to projects with investment capital exceeding **Bt750 million**, excluding cost of land and working capital

Criteria for Investment Promotion under the New BOI Policy

4. Projects Eligible for Investment Promotion under the New BOI Policy

Projects eligible for investment promotion under the new BOI policy include projects with applications submitted from 1 January 2015 onwards. Furthermore, promoted projects applying for expansion will be subject to criteria for project approval under the new BOI policy, regardless of whether the expansion project is producing the existing promoted product or a new product, regardless of factory location, whether it be the existing facility or a relocated facility. Determined by the submission date of the application, the project is entitled to an incentives package under the former or new policy guidelines.

For example, Company A has operated its business since 2007 with a promoted project manufacturing rice cookers located in an industrial estate in Chonburi (Zone 2), thereby entitled to a 7-year corporate income tax exemption under the former policy. When the executive of the company knew about the new BOI policy, the company then decided to submit applications for 2 new projects. One application was submitted on 25 December 2014 to produce washing machines, which is a new product, located in an industrial estate in Lamphun (Zone 3). Another application was submitted on 5 January 2015 to manufacture the same product but will be located in the existing factory location. However, since the application was submitted after the announcement date that the new BOI policy came into force, the incentive package will be according to the new policy, in which the manufacturing of rice cookers is classified under B1, which does not include corporate income tax exemption.

5. Criteria for Project Approval under the New BOI Policy

1. Applicants must clearly specify the product type and check whether the product is recognized as an eligible activity for investment promotion. If there is uncertainty, then the applicant must consult the OBOI official prior to submitting the BOI application.

2. Criteria affecting considerations for project approval are detailed as follows:

Subject	**Criteria**	**Example**
Value Add	Not less than 20% Exceptions 1.Agriculture and Agricultural Products 2.Electronics Products and Parts 3.Coil Center Must have value added not less than 10%	Value Add Calculation (Product selling price per unit - raw material price per unit - water rate per cubic meter - electricity rate per kWh) / Product selling price per unit Example: Product selling price is Bt500 per unit, raw material price is Bt300 per unit, while the water rate (per cubic meter) and the electricity rate (per kWh) total Bt50, therefore the value added is (500-300-50)/500 = 150/500 = 30%
The Ratio of Debt to Equity	New project (in the case applicant has not set up a company or a company has been set up but revenue has not been generated) must have a debt to equity ratio of 3:1. Expansion project (company has been set up and revenue has been generated), the debt to equity ratio will be set where appropriate.	Formula Example New project with investment capital of Bt500 million; Liability (loan) of Bt300 million; Registered capital of Bt200 million Debt/Equity Ratio = 300/200 =1.5/1
Manufacturing Process	Modern or in accordance with the manufacturing process conditioned for investment promotion	The manufacturing process must be clearly described and if there is a special condition attached to the activity, e.g. Activity 4.1.1 products from metal or alloy powder must undergo sintering process, the project must have such a manufacturing process
Condition of Machinery	New or imported used machinery not exceeding 5 years (except press machines must not exceed 10 years). A performance efficiency certificate on environmental impact, energy consumption and estimated price must be provided in accordance with the condition. New Machinery means machinery that has never been used, regardless of when it was built. For example, a machine that was built in 2012 but has never been used, and imported to Thailand in 2016, will be regarded as new machinery. Used Machinery is machinery that operated even for a day. Usage period will be counted from the date of production to importation date. For example, if a machine was built in 2011 and has been used abroad, even if the application form for investment promotion was submitted in 2015, the machine is considered to be 4 years old on the date that the application was submitted. However, on the actual importation of the machine in 2017, it will be considered as used for a period of 6 years, which is not in accordance with the criteria.	New Machinery -used in the promoted project -**exemption of import duty** -counted as investment capital -counted as production capacity All types of used machinery must not exceed 5 years and must be imported (except press machines which must not exceed 10 years) -must be used in the project -**not entitled to import duty exemption** -counted as investment capital -counted as production capacity Special Exceptions For sea and air transport activities as well as molds and dies, used machinery over 10 years old, counting from the manufacturing year to the importation year, is allowed to be used in the project, receiving equivalent incentives as new machinery.
Minimum Investment Capital	The minimum investment capital requirement of each project is Bt1 million (excluding cost of land and working capital) for all activities eligible for investment promotion. However, the exception is for activities that regard minimum annual salary expenses as minimum investment capital, e.g. software development as well as research and development as specified in the BOI Announcement, including salaries of specified personnel of at least Bt1.5 million per year.	Only investment capital of the submitted application for investment promotion will be calculated, e.g. additional machinery purchased and additional cost of construction. Investment capital of the existing promoted project will not be included. Some activities, e.g. software, research and development, regard personnel expenses as investment capital, in which there is a separate application specifically for those activities.
ISO Condition for Projects	An ISO 9000 or ISO 14000 or similar international	The full operation start-up date as specified in the

Subject	Criteria	Example
with Investment Capital exceeds 10 million baht (excluding cost of land and working capital)	certification must be obtained within 2 years of the full operation start-up date. Otherwise, exemption of corporate income tax shall be reduced by one year. This condition will be based on the amount of investment capital specified in the application or can be added later if there is an increase in investment capital. Projects in B1/B2 will not be considered as corporate income tax exemption is not granted unless the project has earned MERIT and if the investment capital exceeds Bt10 million; ISO conditions will apply.	condition is 3 years, counting from the issuance date of the BOI Certificate. For example, BOI Certificate No. 1234/2558 is dated 6 January 2015, therefore the full operation start-up date will be 6 January 2018. Meanwhile, the application of ISO conditions will be 2 years from the full operation startup date, which in this case would be 6 January 2020.
Feasibility Study	Project with investment capital exceeding Bt750 million (excluding cost of land and working capital)	To be conducted in accordance with the BOI Announcement No. 50/2534

6. Considerations for Approval of Machinery to be Used in the Promoted Project

Qualifications of machinery permitted for use in the project are as follows:

Qualifications	New Machinery	Used Machinery
1.Country of Origin	Produced domestically or abroad	Produced abroad only
2.Usage	Never been used	Has been used abroad only
3.Date of ownership <u>Remarks</u> Ownership means having the right to own the machinery that will be used in the promoted projects as per request of the promoted person.	For machinery manufactured domestically, the date of ownership is specified on the invoice. If the promoted company imports the machinery, the date of importation will be counted as the date of ownership unless the machinery was purchased from a sales representative, wherein the date on the invoice will be used instead	If the promoted company imports the machinery, the date of importation will be counted as the date of ownership unless the machinery was purchased from a sales representative, wherein the date on the invoice will be used instead
4.Revenue Generation	Must not generate revenue in Thailand prior to ownership	Must not generate revenue in Thailand prior to ownership
5.Incentives Granted	Import duty exemption	<u>Excludes</u> import duty exemption

7. Cases pertaining to Consideration of Machinery Conditions

Cases pertaining to consideration of machinery conditions are as follows:

Type of Machinery	Usage Abroad	Generated Revenue in Country	Manufacturing Date	Date of Importation	Years of Usage	Considerations
1.Drilling Machine	None	None				Regarded as new machinery. Permitted for use in the promoted project
2.Drilling Machine	None	Generated Revenue*				Regarded as used machinery immediately. Not permitted for use in the promoted project.
3.Drilling Machine	Used	None	2012	2015	3 years	Regarded as used machinery immediately. Permitted for use in the promoted project.
4.Drilling Machine	Used	None	2012	2018	6 years*	Exceeds 5 years of use. Not permitted for use in the promoted project.
5.Press Machine	Used	None	2012	2018	6 years	Exceeds 5 years of use, but not more than 10 years for press machines. Permitted for use in the promoted project.
6.Press Machine	Used	None	2012	2023	11 years*	If exceeds 10 years, press machines are not permitted for use in the promoted project.
7.Drilling Machine	Used	Generated Revenue*				Regarded as used machinery immediately. Not

Type of Machinery	Usage Abroad	Generated Revenue in Country	Manufacturing Date	Date of Importation	Years of Usage	Considerations
						permitted for use in the promoted project.
8.Press Machine	Used	Generated Revenue*				Regarded as used machinery immediately. Not permitted for use in the promoted project.
9.Mold and Die/Sea/Air Transport Equipment	None	None				Regarded as new machinery. Permitted for use in the promoted project.
10. Mold and Die/Sea/Air Transport Equipment	Used	None	2012	2023	11 years	Receives equivalent incentives to new machinery, even if the usage year exceeds 10 years, in accordance with those exceptions listed under 6.1.3(3) of BOI Announcement No. 2/2557.

Remarks: The grey box means the manufacturing year or year of importation will not be used for consideration.

8. Timeframe of Import Duty Exemption on Machinery

Criteria in setting the timeframe to import machinery for use concerning the promoted project and full operation start-up for general activities eligible for investment promotion are as follows:

General Activities	Timeframe to Import	Full Operation Start Up Timeframe	Remarks
1. Machinery used in the production process	Within 30 months	Within 36 months	Extension of the machinery importation period and full operation startup is allowed but must be in accordance with general criteria and the start-up date; Product types, production capacity or investment capital may not be amended, unless the adjustment of capital is due to conducting of MERIT later on.
2. Machinery used in research and development	Throughout the promoted status period	Even if the project already has started its operations, the import of machinery is permitted. However, machinery expenses counted as investment capital will only include those imported prior to startup.	For example, measuring equipment, testing machines, which have been proven to be used in a research and development project.
3. Machinery used in prevention of pollution	Throughout the promoted status period	Even if the project already has started its operations, the import of machinery is permitted. However, machinery expenses counted as investment capital will only include those imported prior to startup.	For example, water treatment machinery and equipment or dust collectors.

Remarks: Machinery imported prior to the start-up date will be counted as investment capital and used in the calculation of the production capacity of the promoted project.

9. Criteria Used in Approval of Machinery to be Used in Promoted Projects

Criteria used to count machinery as part of the promoted project are as follows:

1. The qualification process of the machinery to be used for production must match with what has been specified in the application form.
2. The machinery must not have generated revenue in the country.
3. In case of new machinery entitled to import duty exemption, the promoted company can select to use its import duty exemption right or not. To use import duty exemption incentives, the procedure to release the machinery as specified by the BOI must be followed.
4. Of all the machinery listed, whether its import duty exemption right has been used or not, only those with an ownership date from the date on the application submitted to the date of full operation start-up will be allowed to use in the promoted project. If machinery was imported prior to the date on which the application for investment promotion has been submitted, the promoted company must send a request to the BOI for permission to use that machinery. A CPA accountant must certify evidence. All machinery permitted for use in the promoted project will be used for production capacity calculation and regarded as investment capital. For example, a company submits an application for investment promotion on 8 January 2015 and receives a BOI Certificate No. 1345/2558 dated 7 July 2015; Its full operation start-up date is scheduled to be 3 years from the date of certificate issuance, which means on 7 July 2018. Therefore, only machinery owned from 8 January 2015 to 7 July 2018 will be counted as part of the promoted project. If there is machinery that has been imported prior to 8 January 2015, the applicant must submit a list of this machinery to the BOI requesting permission for its use in the promoted project, together with a certificate from a CPA that confirms the machinery has not generated revenue in the country prior to 8 January 2015. The BOI then will evaluate this list of machinery when the promoted company sends in its request for full operation start-up, in accordance with the procedures set out by the BOI. Machinery imported after the commencement of full operations will not be permitted for use in the promoted project.

<u>Remark:</u> The date for full operation start-up can be extended, using the criteria set out by the BOI.

10. Criteria in Conducting MERIT to Earn Merit-Based Incentives

Criteria in conducting MERIT is divided into 3 types:

MERIT Type	Criteria Used
1. Merit on Competitiveness Enhancement by investing in 6 eligible investments/expenditures. (For more information, see Table in Question 12.)	Additional qualified investment or expenditures of 1%, 2%, and 3% of the total revenue during the first 3 years of operation or Bt200, Bt400, Bt600 million, depending on whichever is the lesser value, will be entitled to additional CIT exemption for 1 to 3 years and an increase in the CIT exemption cap. (For more information, see Table in Question 12.)
2. Merit on decentralization	Projects located in those 20 provinces with low per capita income. Groups A3, A4, B1, and B2 shall receive an additional 3-year CIT exemption plus incentives under Section 35(2)(3) in IPA. Groups A1 and A2 shall not receive addition CIT exemptions but shall receive incentives under Section 35(1)(2)(3) in IPA.
3. Merit on industrial area development	Projects located in an industrial estate or promoted industrial zones shall be granted an additional one-year CIT exemption.

<u>Remarks:</u> The promoted company can select to conduct one type of MERIT or various types, all of which must comply with the criteria. However, CIT exemption cannot exceed 8 years as prescribed in the Investment Promotion Act, therefore requests for extension are not possible under any circumstances.

11. Conditions and Merit-Based Incentives for Competitiveness Enhancement

Conditions and additional incentives under the merit for competitiveness enhancement category are as follows:

Types of Eligible Investments/Expenditures	Additional Cap
1. R&D: In-house, outsourced in Thailand or joint R&D with overseas institutes	200%
2. Donations to Technology and Human Resources Development Funds, educational institutes, specialized training centers, R&D institutes or governmental agencies in the S&T field in Thailand, as approved by the Board	100%
3. IP acquisition/licensing fees for commercializing technology developed in Thailand	100%
4. Advanced technology training	100%
5. Development of local suppliers with at least 51% Thai shareholding in advanced technology training and technical assistance	100%
6. Product & packaging design: In-house or outsourced in Thailand, as approved by the Board	100%

Additional CIT incentives will be granted depending on investment/ expenditure ratio (%)

Percentage of qualified Investment/Expenditures to combined revenue during the first 3 years	Additional CIT Exemption (with additional cap)
1% or $\geq$ 200 million baht	1 year
2% or $\geq$ 400 million baht	2 years
3% or $\geq$ 600 million baht	3 years

12. The types of MERIT Eligible to Each Group and Details on the Merit-Based Incentives

The activity listed under each group is entitled to different types of MERIT and additional incentives as follows:

Type of MERIT	Groups B1 and B2 (only activities without condition prohibiting grants of merit-based incentives)	Groups A3 and A4	Group A2 (8 years with CIT exemption cap)	Group A1 (8 years without CIT exemption cap)
1. Merit on Competitiveness Enhancement by investing in 6 eligible investments/expenditures	Allowed - Additional 1 to 3 year CIT	Allowed - Additional 1 to 3 year CIT exemption	Allowed - Allowed but will not receive additional CIT	Allowed but will not receive additional

Type of MERIT	Groups B1 and B2 (only activities without condition prohibiting grants of merit-based incentives)	Groups A3 and A4	Group A2 (8 years with CIT exemption cap)	Group A1 (8 years without CIT exemption cap)
	exemption - The CIT exemption cap will be based on the existing investment capital combined with the added capital.	- Increase CIT exemption cap.	exemption as an 8-year CIT exemption already has been granted. - Increase CIT exemption cap.	incentives because the project already has received an 8-year CIT exemption without CIT exemption cap.
2. Merit on decentralization	Allowed - Additional 3 year CIT exemption - The CIT exemption cap will be based on the existing investment capital. - Section 35(2)(3)	Allowed - Additional 3 year CIT exemption - Section 35(2)(3)	Allowed - Allowed but will not receive additional CIT exemption as an 8-year CIT exemption already has been granted. - Section 35(1)(2)(3)	Allowed - Section 35(1)(2)(3)
3. Merit on industrial area development	Not allowed	Allowed - Additional 1 year CIT exemption.	- Allowed but will not receive additional CIT exemption as an 8-year CIT exemption already has been granted, and the amount of CIT exemption cap cannot be increased.	Allowed but will not receive additional CIT exemption as an 8-year CIT exemption already has been granted, without CIT exemption cap.

Remarks: Projects not receiving CIT exemption, e.g. Groups B1 and B2, can earn MERIT as specified in the BOI Announcement. But if the activity has a condition that does not confer rights to merit-based incentives, then the additional incentives cannot be earned, e.g. Activity 4.6 - Manufacture of General Automobiles and Activity 5.8 - E-commerce, which have clear conditions attached.

- Section 35(1) refers to a 50% reduction of the CIT for a period of 5 years after the CIT exemption has ended.
- Section 35(2) refers to a double deduction from the cost of transportation, electricity and water supply for a period of 10 years counting from the first date on which revenue is generated.
- Section 35(3) refers to a 25% deduction of the cost of installation or the construction of facilities from the net profit.

13. Calculations of Additional Incentives from Earning MERIT

The following examples demonstrate the calculations for the merit-based incentives:

Examples of projects in Groups A1, A2, A3, and A4

Type of Merit	Additional Incentives	Examples
1. Merit for Competitiveness Enhancement	Additional year and adjustment of CIT exemption cap but all combined not to exceed 8 years. For research and development, the CIT exemption cap will double the amount of added capital. As for the remaining 5 eligible investments/expenditures, the CIT exemption cap will be equivalent to the amount of the added capital.	Project receiving incentives under Group A4 (3-year CIT exemption) has an existing investment capital of Bt100 million;. The project requests to earn MERIT by investing in research and development worth Bt20 million. If the project is eligible under the 1% criteria, the CIT exemption period then will be 4 years and the CIT exemption cap will be adjusted based on the calculation as follows: 100+(20*2 times)= **Bt140 million.** On the other hand, if the investment is in other eligible investments/expenditures to earn merit for competitiveness enhancement (e.g. donations to the Technology and Human Resources Development Funds of Bt20 million), the CIT exemption will be 4 years and the CIT exemption cap will be adjusted based on the calculation as follows: 100+(20*1 time)**= Bt120 million** Group A1 is not entitled to earn merit-based incentives. Group A2 is permitted but the period of CIT exemption will not increase, only the CIT investment exemption cap.
2. Merit on decentralization	Additional 3 years for CIT exemption and incentives under Section 35(2)(3) but not for the CIT exemption cap adjustment.	Project receiving incentives under Group A4 (3-year CIT exemption) has an existing investment of Bt100 million;. The project requests to earn MERIT by locating in Roi Et province. The CIT exemption then will be 6 years, but the CIT exemption cap would remain unchanged at Bt100 million. However, additional incentives under Section 35(2)(3) will be granted. Groups A1 and A2 are permitted but the period of CIT exemption will not increase. However, an additional incentive under Section(1)(2)(3) is granted instead.
3. Merit on industrial area development	Additional 1 year CIT exemption but not the CIT exemption cap.	Project receiving incentives under Group A4 (3-year CIT exemption) has an existing capital of Bt100 million;. The project requests to earn MERIT by locating the factory in an industrial estate. The CIT exemption then will be 4 years, but the CIT exemption cap will remain unchanged at Bt100 million. Groups A1 and A2 are not entitled to earn merit-based incentives.

Examples of projects in Groups B1 and B2

Type of Merit	Additional Incentives	Examples
1. Merit for Competitiveness Enhancement	Additional year and the CIT exemption cap will be based on the existing investment capital combined with the added capital. For research and development, the CIT exemption cap will double the amount of added capital. As for the remaining 5 eligible investments/expenditures, the CIT exemption cap will be equivalent to the amount of the added capital.	Project receiving incentives under Group B1 (no CIT exemption) has an existing investment capital of Bt100 million;. The project requests to earn MERIT by investing in research and development worth Bt20 million. If the project is eligible under the 1% criteria, an additional year will be added to the CIT exemption period. Therefore, if the CIT exemption had been adjusted, a one-year CIT extension will be granted with the CIT exemption cap based on the calculation as follows: 100+(20*2 times)= **Bt140 million**

Type of Merit	Additional Incentives	Examples
		On the other hand, if the investment is in other eligible investments/expenditures to earn merit for competitiveness enhancement (e.g. donations to the Technology and Human Resources Development Funds of Bt20 million), the CIT exemption will be 1 year and the CIT exemption cap will be adjusted based on the calculation as follows: 100+(20*1 time)= **Bt120 million**
2. Merit on decentralization	Additional 3 years CIT exemption and incentives under Section 35(2)(3) but not the CIT exemption cap adjustment.	Project receiving incentives under Group B1 (no CIT exemption) has an existing investment capital of Bt100 million;. The project requests to earn MERIT by locating in Roi Et province. The CIT exemption then will be 3 years, and the CIT exemption cap will be limited to Bt100 million. The project will receive additional incentives under Section 35(2)(3).
3. Merit on industrial area development	Not allowed	

14. Calculations of Expenditures on MERIT for Competitiveness Enhancement

Calculations of expenditures on merit for competitiveness enhancement about receiving additional CIT exemption for 1 year, 2 years, and 3 years will be as follows:

<table>
<tr><th></th><th>The first 3-year sales revenue</th><th>Criteria for additional incentive</th><th>Example</th></tr>
<tr><td>1.In case of requests for MERIT submitted with the application for investment promotion.</td><td>Estimation of sales revenue as filled in the application.</td><td rowspan="4">1% or Bt200 million, whichever is the lesser amount, an additional CIT exemption of one year will be granted to the project.

2% or Bt400 million, whichever is the lesser amount, an additional CIT exemption of 2 years will be granted to the project.

3% or Bt600 million, whichever is the lesser amount, an additional CIT exemption of 3 years will be granted to the project.</td><td rowspan="3">A project generates sales revenue of Bt800 million during the first 3 years of operation. To earn an additional one year CIT exemption, a supplementary investment of 1% (Bt8 million) is required. For an additional 2 years, 2% (Bt16 million) is required. For an additional 3 years, 3% (Bt24 million) is required. The CIT exemption cap will increase according to the additional investment, unless the investment is in research and development, a double CIT exemption cap will be granted.</td></tr>
<tr><td>2.In case of requests for MERIT after the submission of an investment promotion application, but project has not generated sales revenue.</td><td>Estimation of sales revenue as filled in the application.</td></tr>
<tr><td>3. In case of requests for MERIT after the submission of an investment promotion application, and the project generates sales revenue of not more than 3 years during a certified accounting period.</td><td>Actual sales revenue from a certified accounting period. The remaining years can be based on an estimation as deemed appropriate.</td></tr>
<tr><td>4. In case of requests for MERIT after the submission of an investment promotion application, and the project generates sales revenue of more than 3 years during a certified accounting period.</td><td>Actual sales revenue from the first 3 years of the accounting period.</td><td>A project generates sales revenue of Bt30,000 million during the first 3 years of operation. To earn an additional one year CIT exemption, a supplementary investment of 1% (Bt300 million) or Bt200 million is required. But when based on the lesser amount, an investment of Bt200 million is sufficient to earn a merit-based incentive.</td></tr>
</table>

<u>**Remarks:**</u> 1. Calculations of expenditures to earn MERIT after the submission of an application for investment promotion, but prior to the project generating 3-year sales revenue during a certified accounting

period, the promoted company must adjust its sales revenue to the actual figure after 3 accounting years in order to adjust the investment capital later on.

2. Sales revenue refers to project revenue taken from a certified financial report and a PND 50, in which the aforementioned sales revenue includes revenue generated from selling the promoted product and revenue generated from selling the waste produced during the manufacturing process.

15. Timeframe for Requests to Earn MERIT

Timeframe for requests to earn MERIT for each type of merit-related activity are as follows:

Group	Submission Timeframe	Examples
Projects receiving CIT exemption (A1, A2, A3, and A4)	Request can be submitted any time prior to the expiry date of the CIT exemption, whether in terms of years or amount received for CIT exemption. Therefore, the request to earn MERIT will count from the date of submission for MERIT, in which the employment of incentives must be verified to ensure that CIT exemption use is not discontinued.	A project in Group A4 with a 3-year CIT exemption, and a Bt100 million CIT exemption cap, has started operating for 2 accounting years and has use Bt60 million of CIT exemption. To earn additional MERIT, the project must have an existing one-year CIT exemption and a cap of Bt40 million. On the other hand, if the project uses only Bt100 million of the CIT exemption, even if a year of CIT exemption remains, the CIT exemption is regarded to have expired, and additional merit-based incentives may not be requested.
Projects not receiving CIT exemption (B1 and B2)	Request must be submitted as an attachment with the application for investment promotion.	The request for a merit-based incentive application form must be submitted with the principal investment promotion application form, on which a BOI administration officer must register the request. The incentive application must have the same date as the principle application and have its application number referred.

<u>Remarks</u> Only in the additional merit for competitiveness enhancement will the project be inspected for compliance. If the promoted project is able to conduct one out of six conditions, the OBOI will inspect and make considerations. A Work Committee on Screening the Request will preliminary grant adjustment of incentive. When the period to carry out the operational plan has end, the promoted person must provide evidence for the OBOI to reevaluate;. If it is incompliance, the OBOI will issue a certifying letter, but if it is not incompliance, the OBOI will withdraw the merit-incentive, so that only the original incentive remains. If CIT exemption has been used beyond that originally received, the withdrawal would also cover the excess amount with additional penalty fee.

16. Project Amendments for Promoted Projects under the New BOI Policy

Criteria for amendments to projects promoted under the new BOI policy are as follows:

Amendments	Criteria
Financial-related amendments Reduction of registered capital/joint venture amendment	Permitted on a normal basis.
Amendment of production capacity by increasing investment	Permitted on a normal basis. Unlimited increase of production capacity allowed in accordance with BOI Announcement No. 3/2547.
Amendment of product type by increasing investment	Permitted on a normal basis. Unlimited increase of product type and/or production capacity allowed in accordance with BOI Announcement No.3/2547.
Amendment to enhance production capacity by increasing working hours	Permitted on a normal basis in accordance with BOI Announcement No. 8/2543.

Amendments	Criteria
Amendment of production process	Permitted on a normal basis. However, such a modification must not cause a major change in the project, for its value added creation must be in accordance with BOI criteria.
Amendment of location	Permitted on a normal basis. If the company is relocated to an area designated under the MERIT scheme, the additional incentive will be granted. However, projects in Groups B1 and B2 are exempted and will not receive additional incentives, even if the company is relocated to those 20 provinces with a low income per capita or an industrial estate later on, as the company was obliged to notify the BOI when it initially submitted the investment promotion application.
Transfer of ownership	Permitted on a normal basis.
Request for used machinery	Permitted on a normal basis.
Amendment to enhance production capacity in accordance with the actual capacity found during the startup inspection	Permitted on a normal basis in accordance with Item 3.2 of BOI Announcement 8/2543.

17. Procedures for Knowledge-Based Services to Apply for Investment Promotion

Preliminary procedures for knowledge-based services to apply for investment promotion are as follows:

1. Activities that count personnel expenditure as minimum investment capital:

Activity	Personnel salaries counted as investment capital
5.6 Electronic Design	Electronic design personnel
5.7 Software	IT personnel
7.11 Research and Development	Research and development personnel
7.13 Engineering Design	Engineering design personnel

2. When submitted together with the application form, the company's personnel employment plan must state monthly salaries and demonstrate a minimum expenditure of Bt1,500,000 per year.
3. For individual personnel positions, see the separate application form specifically for each Activity. For calculations, combine the monthly salaries of all related positions in a year, both Thai and Foreigner. The annual calculation must be in a single accounting year. If there is ambiguity in the definition of the position, the promoted company must consult the BOI officer during the project interview.
4. A 3-year personnel-hiring plan must be presented together with the application form, and the specified position must demonstrate an annual expenditure of Bt1,500,000 prior to the end of the first accounting year of the company at full operation.
5. When full operation of the promoted company is due (3 years after the issuance of BOI Promotion Certificate), the BOI will verify personnel expenditures by reviewing official supporting documents, e.g. annual withholding tax returns for individuals (Revenue Department's PND 1 Kor.) and general social security contribution return forms (Social Security Office's Sor.Por.Sor. 1-10). Once verified, if the expenditures do not meet the requirements as specified on the application form, the incentives will be withdrawn. If the CIT exemption has been used, the withdrawal also would cover the excess amount along with an additional penalty fee.

18. Procedures to Use Corporate Income Tax Exemptions

Procedures to use CIT exemptions are as follows:

1. Promoted companies must submit a form for exercising CIT privileges every time. The BOI will issue a written confirmation on the privileges that must be reported to the Revenue Department when promoted companies file their tax returns. According to the procedures set by the BOI, those companies violating the rules by submitting the form to the Revenue Department prior to the BOI granting the company the right to exercise its CIT privileges will be conducted a backdated audit by OBOI. Likewise, if the CIT exemption has been used in excess to what the BOI granted, the withdrawal of CIT privileges also would cover the excess amount with an additional penalty fee.

2. Regarding the use of the CIT exemption, the period will start from the first date on which the promoted project generates revenue. For example, a company receives a 5-year CIT exemption and generates its first revenue on 16 June 2015. Meanwhile, the expiry date of its CIT exemption is on 16 June 2020, and whether a loss is incurred in 2015 or not, the use of the incentive will commence. Also, specified conditions must be followed in order to use the CIT exemption.
3. To use the CIT exemption, the following conditions apply:
   - Final financial statement and balance sheet verified by a certified accountant.
   - Both the CIT exemption period and the CIT exemption cap must not have expired.
   - Must have minimum investment capital of Bt1 million or, in the case of Activities that count personnel expenditures as investment capital, the aforementioned overhead during the accounting period must exceed Bt1,500,000 million.

19. Existing Incentives under the BOI Announcement to Promote Continuous Long Term Investment of Electronics and Electrical Appliances

BOI Announcement to Promote Continuous Long Term Investment in Electronics and Electrical Appliances (BOI Announcement No. 5/2549 and 8/2549) shall receive the same incentives as both BOI Announcement No. 5/2549 and 8/2549 are announcements meant to promote continuous long-term investment, emphasizing electronics and electrical appliances. The use of announcements is aimed at encouraging applicants to invest in individual projects and there must be continuous investment within the specified timeframe. The BOI will grant maximum incentives to the final project with minimum investment capital, as stipulated in the announcements. However, the company is requested to invest on a regular basis and applications for investment promotion may be submitted continuously after 1 January 2015. If a promoted company filed a project application in 2013, it could tender a new application in 2018, five years from the first date in which revenue was generated, even though the incentives under the new BOI policy run counter to those conditions stated under the aforementioned announcements. To guarantee those companies that were promoted under BOI Announcements No. 5/2549 and 8/2549, the BOI will continue to grant incentives under these announcements after 1 January 2015, without having to follow the conditions prescribed under the new policy. Companies seeking to apply for investment promotion under BOI Announcements No. 5/2549 and 8/2549 after 1 January 2015 will not be permitted as these announcements have been repealed, and there are transitory provisions for those already approved.

Criteria for Projects Promoted Under the Former BOI Policy

20. Projects Eligible for Investment Promotion under the Former BOI and the Criteria for Investment Promotion

Projects eligible to investment promotion under the former BOI policy had applications submitted by 31 January 2014. These include existing promoted projects requesting for expansion that had tendered their applications for project expansion by 31 December 2014. Such projects will be subject to criteria under the former BOI policy whether the product is the same or new, and whether the project is located in the same location or relocated, in accordance with the new policy that is principally determined by the date of application submission.

For example, Company A has operated its business since 2007 with a promoted project manufacturing rice cookers located in an industrial estate in Chonburi (Zone 2), thereby entitling the company to a 7-year corporate income tax exemption under the former policy. When the executive of Company A knew about the new BOI policy, the company then decided to submit new applications for 2 new projects. One application was submitted on 25 December 2014 to produce washing machines, which is a new product, located in an industrial estate in Lamphun (Zone 3). Another application was submitted on 5 January 2015 to produce the same product but will be located in the existing factory location. However, since the application was submitted after the new BOI policy became effective, the incentive package will be according to the new policy, in which the manufacturing of rice cookers is classified under B1 that does not include corporate income tax exemption.

21. Amendment of Projects Promoted under the Former BOI Policy

If the promoted project submitted a request for project amendment by 31 December 2014, the criteria under the former BOI policy will apply, but if the request was submitted after 1 January 2015, the criteria under the new policy will apply. For example, if a request to increase production capacity was submitted on 25 December 2014, there will be no limit on the increase. Or, if the project was located previously in Zone 1, thereby entitled to a 3-year CIT exemption, but then later relocates to an industrial estate in Lamphun province, the project can amend its CIT exemption to 8 years, according to the former policy. Also, in the case of additional STI incentives, the criteria used will be under BOI Announcement No. 3/2549. However, if the request for project amendment was submitted on 1 January 2015, the criteria under the new policy will be used, which would limit the degree of amendment due to differences in criteria used in granting incentives under the former policy that already has been repealed.

22. Criteria for Project Amendment after 1 January 2015 for Projects Promoted Under the Former BOI Policy

Criteria for project amendment after 1 January 2015 for projects promoted under the former policy are as follows:

Amendments	Criteria
Financial-related amendment Reduction of registered capital/joint venture amendment	Permitted on a normal basis.
Amendment of production capacity by increasing investment	Increase of production capacity must not exceed 30% of the production capacity stated on the first BOI Promotion Certificate. Accordingly, the CIT exemption cap can be adjusted to no more than a 30% increase of the machinery value stated on the first BOI Promotion Certificate in accordance with BOI Announcement No. 3/2547. To amend the production capacity by increasing investment, the project must invest before the full operation start-up date and the activity must be listed under the category of eligible activities for investment promotion under the new BOI policy. If the activity is not on the list, amendment is not allowed.
Amendment of product type by increasing investment	To add product type, the investment must not exceed 30% of the machinery value as specified in the first BOI Promotion Certificate. The production capacity of the new product type is permitted to increase in an appropriate amount in accordance with BOI Announcement No. 3/2547. To amend the product type by increasing investment, the project must invest before the full operation start-up date and the activity must be listed under the category of eligible activities for investment promotion under the new BOI policy. If the activity is not on the list, amendment is not allowed.
Amendment to enhance production capacity by increasing working hours	Permitted on a normal basis in accordance with BOI Announcement No. 8/2543.
Amendment of production process	Permitted on a normal basis. However, such a modification must not cause a major change to the project for its value added creation must be in line with the criteria for project approval.
Amendment of location	Permitted on a normal basis.
Transfer of ownership	Permitted on a normal basis.
Request for used machinery	Permitted on a normal basis and the use of former criteria under BOI Announcement No. 2/2546. For example, permission to employ old machinery that does not exceed 10 years of usage, in which import duty exemption will be granted if an efficiency certificate is provided as evidence.
Amendment to increase production capacity in accordance with the actual capacity found during the full operation start-up inspection	Permitted but the production capacity must be adjusted to the actual production capacity and must not exceed 30% of the production capacity stated in the first BOI Promotion Certificate. The CIT exemption cap will be adjusted to not more than 30% increase of the machinery value stated in the first BOI Promotion Certificate in accordance with the BOI Announcement No. 3/2547. For example, the application states that production capacity will be 100 pieces/year, while the submitted machinery value declared on the application is

Amendments	Criteria
	Bt50 million. During the request for full start-up operations, the actual investment is as follows: Case 1: Production capacity reaches 130 pieces/year, while the value of machinery stands at Bt90 million, meaning that~~,~~ actual production capacity at the full operation start-up date will have increased 30% from the original production capacity stated in the BOI Promotion Certificate, while the value of machinery has appreciated to Bt90 million. Permission: Start-up of full operations is permitted and the production capacity will be adjusted to 130 pieces/year and the investment value of machinery climbs from Bt50 million to Bt90 million. Case 2: Production capacity reaches 200 piece/year, while the value of machinery stands at Bt300 million, meaning that~~,~~ actual production capacity at the full operation start-up date will have increased 100% from the original production capacity stated in the BOI Promotion Certificate, while the value of machinery has appreciated to Bt300 million. Permission: Start-up of full operations is permitted and the production capacity will be adjusted 130 pieces/year and the investment value of machinery climbs from Bt50 million to Bt195 million. The value of machinery is determined with the following formula: Divide the value of machinery (Bt300 million) by the production capacity (200 pieces/year) which, in turn, will provide the yield for the value of machinery (Bt1.5 million per production capacity of 1 piece/year). The yield then is multiplied with the approved production capacity (130 pieces/year): 1.5*130 = Bt195 million. This figure is the actual value of investment in machinery compared with the proportion of the approved production capacity permitted for the start-up of full operations, thereby resulting in an increase from Bt50 million to Bt195 million. Actual investment, which exceeds Bt105 million (300-195), will not be counted as investment capital.
Request to change incentives under the former BOI policy to the new policy	Not permitted as the new BOI Announcement does not allow such an amendment.